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Report on the activities of the Office of Internal Oversight Services

Activities of the Office of Internal Oversight Services for the period from 1 July 2008 to 30 June 2009**

Report of the Office of Internal Oversight Services

Summary

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5) and 59/272 (paras. 1-3). It does not cover oversight activities pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, as they will be presented to the Assembly in part II of the report during the resumed sixty-fourth session.

Assignments conducted during the reporting period underscore the need for the Organization to develop an accountability framework, including a formal internal control framework, to ensure that risks are managed consistently and systematically through focused control processes across the Organization.

During the reporting period, 1 July 2008 to 30 June 2009, the Office of Internal Oversight Services (OIOS) issued 390 oversight reports, including 12 reports to the General Assembly and 59 closure reports. The reports included 1,871 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness. Of those recommendations, 615 were classified as critical to the Organization. The financial implications of OIOS recommendations issued during the period amount to approximately $49 million. These recommendations were aimed at cost savings, recoveries of overpayment,

* A/64/150.

** Excluding oversight of peacekeeping activities, which will be reported on in document A/64/326 (Part II).

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efficiency gains and other improvements. The financial implications of similar recommendations that were satisfactorily implemented during the period totalled approximately $32 million. The addendum to the present report (A/64/326 (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and an analysis of selected recommendations of particular concern. Pursuant to paragraph 1 (c) of resolution 59/272, Member States have access to OIOS reports upon request. The full titles of all OIOS reports are available online (www.un.org/Depts/oios/pages/rep_and_pub.html).

Preface

I am pleased to submit the present report on the activities of the Office of Internal Oversight Services (OIOS) for the 12-month period ending 30 June 2009 to the General Assembly. During the reporting period, the Office continued to build upon its successes and to expand its efforts to ensure a robust oversight office. In this regard, in addition to presenting oversight findings, the present report highlights initiatives aimed at strengthening internal processes and procedures to better assist the Secretary-General, management and the Member States.

A well-performing organization rests upon two main pillars: (a) strong management, with responsibilities outlined in an accountability framework, and (b) operationally independent oversight. An accountability framework is key for ensuring that there is a clear delineation of managerial roles and responsibilities. In addition, the framework should detail the responsibilities of management, namely, to continuously monitor and review changes in the working environment through the systematic application of enterprise risk analysis and to analyse and improve the performance of the organization regarding its core values and principles. In particular in an organization with complex and dispersed operations, such a framework should ensure that there is no impunity for poor decision-making.

The second pillar is operationally independent oversight. The oversight function of an organization includes both internal and external oversight mechanisms. For an internal oversight entity operational independence is vital to enable it to carry out its work without influence from management. For OIOS, operational independence is stipulated and clarified in General Assembly resolutions 48/218 B and 59/272, and logically followed up and operationalized through the Secretary-General's bulletin (ST/SGB/273) and (ST/AI/401). The strong regulatory framework aiming to ensure OIOS its operational independence includes the authority to initiate, carry out and report on any action which the Office considers necessary; the ability for the Office to submit reports directly to the General Assembly; the authority to select all staff for appointment and promotion; the direct and confidential access of United Nations staff members to the Office and their protection against repercussions; and the provision of adequate resources. The objectives of this strong regulatory framework are clear and it should be enforced and respected in letter and spirit.

In 2008, as part of an effort to delineate accountability within my own Office, following my compact with the Secretary-General, I established a results agreement between the directors and myself. The agreement provides each director with a clear statement of management expectations, including outcomes, performance measures, responsibilities and target dates both for the strategic priorities of the programme and of the Organization. By signing the agreement, each director accepted his/her commitment to realizing the key results outlined in the agreement, and I as Under-Secretary-General, pledged to create an enabling environment for OIOS management to deliver in terms of core responsibilities and duties.

Finally, I wish to stress the importance of transparency as the primary condition for accountability in any organization, including the United Nations Secretariat. In its resolution 59/272, sometimes referred to as the "transparency resolution", the General Assembly decided that reports of OIOS should be submitted directly to the Assembly and that the original versions of the reports of the Office

not submitted to the Assembly would be made available to any Member State upon request. This was the first time Member States were provided with the opportunity for increased insight into the operations and activities of the Secretariat. This measure has been a very important step towards an increased transparency within the Secretariat. However, in my view, such transparency will not be fully achieved without increased public access to other types of United Nations documentation. In this regard, OIOS looks forward to the elaboration of the proposed policy for public access to United Nations documentation, as requested by the Assembly in its resolution 60/283, following the issuance of the report of the Secretary-General entitled, "Investing in the United Nations: for a stronger Organization worldwide" (A/60/846/Add.4).

OIOS notes the progress in the area of transparency achieved through the resolution 59/272 as an important step in ensuring accountability. OIOS also notes the adoption by the General Assembly of resolution 63/276, in which it requested the Secretary-General to submit a comprehensive report, including a clear definition of accountability and proposals on accountability mechanisms, a clear definition of roles and responsibilities, as well as a proposed detailed plan and road map for the implementation of the enterprise risk management and internal control framework. OIOS stresses that a formalized accountability framework is needed to ensure that advancements in these areas are preserved and instilled as part of the culture of the Organization.

I wish to thank Member States for their continued support and for the trust they have placed in the Office, which enables us to carry out our important mandate.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services

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I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established by the General Assembly, pursuant to its resolution 48/218 B, in order to enhance oversight in the Organization. The Office is operationally independent, as stipulated by the Assembly, and is established to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of resources and staff of the Organization through internal audit, monitoring, inspection, evaluation and investigation.

2. The present report, which provides an overview of OIOS activities during the period from 1 July 2008 to 30 June 2009, comprises three main sections, covering: (a) initiatives aimed at improving OIOS operations and quality of work; (b) oversight findings by risk category; and (c) mandated reporting on oversight activities concerning the capital master plan and the United Nations Compensation Commission. An addendum to the present report (A/64/326 (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and an analysis of selected recommendations of particular concern.

3. The report does not cover oversight findings pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, which will be presented to the General Assembly in part II of the report during the resumed part of the sixty-fourth session.

II. Internal initiatives

A. Overall efforts to strengthen the functions of the Office of Internal Oversight Services

4. OIOS continually strives to ensure that its work is carried out with the highest standards of professionalism and efficiency in order to realize its vision, "To be a world class oversight body, respected and trusted by stakeholders". This section highlights some of the key initiatives undertaken during the past four years to realize this goal.

1. Aligning work priorities with organizational risks

5. OIOS was established to assist the Secretary-General in providing oversight of all operations under his authority. To guide the Office in identifying emerging issues, challenges and potential exposures of the Organization, the Office developed a comprehensive risk management framework. Risk analysis enables the Office to prioritize the allocation of resources to oversight of programmatic and operational areas that have the greatest exposure to risks of fraud, waste, abuse, inefficiencies and mismanagement. In 2008, OIOS realized its ambition to deliver risk-based workplans for the Internal Audit and the Inspection and Evaluation Divisions. The adoption of a risk-based approach meets the requirements of the International Standards for the Professional Practice of Internal Auditing.

6. As a basis for its risk-based workplans, the Internal Audit Division conducts risk assessments in close collaboration with programme managers. These assessments are carried out by staff trained in the risk assessment methodology.

From July 2007 to September 2008, the Internal Audit Division completed over 50 risk assessments, representing approximately 90 per cent of the OIOS audit universe. The assessments conducted thus far form the basis of the internal audit workplans through 2011.

7. As of the date of the present report, the Division has compiled all risks identified in the risk assessments conducted thus far. The risk assessment methodology identified 11 focus areas[1] and 7 risk categories[2] in order to group the risks that are most prevalent in the Organization. In the course of the risk assessment exercises, the area of strategic management and governance was identified as a priority focus area common to many entities in the Office's audit universe. In order to further strengthen its capacity to carry out audits in this area, the Internal Audit Division held a workshop in June 2009 to develop guidelines for such audits based on best practices.

8. The Inspection and Evaluation Division also applies a risk assessment framework in the selection of inspection and evaluation topics. The Division's risk assessment methodology is based on the analysis of available Secretariat-wide proxy risk indicators. The Division identified 12 proxy indicators for which uniform and comparable data were available.[3] The proxy indicators have been assigned relative weights based on their potential contribution to three OIOS categories of risk: strategic; governance; and operational.[4] This enables the Division to generate a ranking of the 27 programmes of the United Nations regular budget as a basis for its workplan. A separate risk assessment with similar methodology is conducted to prioritize the peacekeeping missions.

9. While OIOS realized its ambition to deliver risk-based workplans in 2008, work continues on refining the methodology based on experience from the first few years of implementation. The Internal Audit Division also plans to continue work on aggregating results of risk assessments into a comprehensive, Secretariat-wide risk assessment in order to identify specific risks that are systemic and common to the various departments and entities of the Secretariat. This will allow the Division to move to a more global view where the likelihood and impact of risks to the Secretariat as a whole can be analysed, rated and given proper oversight priority.

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[1] Focus areas are the key standard processes that are typically found in United Nations operations. The 11 focus areas are: strategic management and governance; financial management; human resources management; procurement and contract administration; logistics management; information and technology management; programme and project management; conference and documents management; property and facilities management; safety and security; and others.

[2] The seven risk categories are: strategy; governance; compliance; financial; operational; human resources; and information. These risk categories are presented in more details in sect. III of the present report.

[3] Proxy indicators are used as approximations of the variables of interest, in the present case the potential risks faced by the Organization. These 12 proxies are: total resources; number of posts; discretionary vulnerability; complexity of coordination needs; output implementation rate; availability of programme performance information; evaluation coverage; resources spent on evaluation; time of outstanding OIOS recommendations; timeliness of reporting; e-PAS compliance rate; gender equality.

[4] The three risk categories are among the seven risk categories that OIOS uses in reporting oversight findings. Additional information on the risk categories may be found in sect. III of the present report.

10. In addition to the work of OIOS in assessing the risks in other departments and offices, the Internal Audit Division conducted a risk assessment of its own activities during the reporting period. The results will be used to drive the Division's strategy and to mitigate risks that can hinder the Division in achieving its mandate and objectives.

2. Ensuring optimal structures

11. Optimal organizational structures are critical to ensuring efficient and effective management of resources and staff. In response to changes in the OIOS operating environment and other considerations, the following organizational changes were undertaken:

(a) In 2007, the two former audit divisions were brought under one directorship to form the current Internal Audit Division.[5] The reorganization eliminates duplication of general and administrative activities and ensures a consistent approach to audits. The Division is currently located in New York, Geneva, Nairobi, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda and a number of peacekeeping missions to better respond to the needs of audited entities;

(b) In 2008, the Inspection and Evaluation Division was formally established by General Assembly resolution 62/224. This decision followed the transfer of the internal management consulting function and the tasks associated with the preparation for the programme performance report from OIOS to the Department of Management.[6] The new focus on evaluation and inspection required internal restructuring of the Division and new work arrangements, which allowed for greater consistency, efficiency and effectiveness in staff allocation and improved communication within the Division. These changes, combined with additional post and non-post resources approved by the General Assembly, enabled the Division to focus on and to expand the conduct of programme and thematic evaluations and inspections. For the 2008-2009 biennium, the Division will have effectively doubled its average biennial output[7] — producing 33 oversight reports of programme evaluations, thematic evaluations, triennial reviews, inspections and compliance reports. These reports assess the relevance, efficiency and effectiveness, including the impact, of the Organization's programmes in relation to their objectives and mandates;

(c) In the Secretary-General's report on strengthening investigations (A/62/582), OIOS presented its proposals[8] for restructuring the Investigations Division in order to achieve, inter alia, economies of scale and synergies. While the General Assembly endorsed the principle of the restructuring of the Investigations Division[9] (see resolution 63/287) at the resumed sixty-third session, it proposed a three-year pilot project involving investigation centres based in New York, Nairobi and Vienna, with resident investigators in the United Nations Organization Mission

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[5] See the report on the external review contained in A/60/883 and Add.1 and 2.

[6] General Assembly resolution 61/245.

[7] Between 1996 and 2005, the Inspection and Evaluation Division produced, on average, 16 reports every biennium.

[8] These proposals were also included in the OIOS 2008/2009 support account budget submission (A/62/783).

[9] See A/62/582 for additional information on the OIOS proposal.

in the Democratic Republic of the Congo (MONUC), the United Nations Mission in Liberia (UNMIL), the United Nations Mission in the Sudan (UNMIS), the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Integrated Mission in Timor-Leste (UNMIT), the United Nations Interim Force in Lebanon (UNIFIL) and the United Nations Operation in Côte d'Ivoire (UNOCI). A comprehensive assessment of the pilot project's benefits and lessons learned will be reported to the Assembly at a future date (see resolution 63/287). The additional resources required to implement the pilot project will be presented in the Office's next budget submission.

12. Aside from the overall structure of the Investigations Division, OIOS has also begun to further develop its capacity to conduct specialized investigations. The primary consideration in this has been the distinction between the two main types of cases investigated by OIOS, namely sexual exploitation and abuse and financial, economic and administrative cases, and the need to ensure that qualified teams investigate these cases effectively. The skills and experience required for these types of cases vary significantly, and the experience of OIOS over the years provides a compelling argument for concentrating specialized investigators within three regional centres: New York; Vienna; and Nairobi.

13. In addition, the Investigations Division focused on ensuring that the competencies and knowledge developed by the Procurement Task Force were incorporated into the knowledge base of the Investigations Division. In particular, the Division conducted a survey of the Procurement Task Force best practices and lessons learned.

3. Ensuring the highest quality

14. OIOS is continuously working on improving its processes and procedures to meet the highest standards of quality, with the ultimate objective of serving the Organization by contributing to good governance and accountability.

Streamlining standard operating procedures

15. Guiding all staff in the conduct of their work are manuals that outline policies and procedures, to ensure, inter alia, standardization of work. The Organization must feel confident that OIOS applies the same standards in its oversight work. In 2009, all divisions updated and significantly expanded their respective manuals to reflect changes in the work environment and to ensure consistency with international norms and standards. To increase transparency and enhance understanding of the work of OIOS, these manuals are available publicly through the OIOS website:

(a) The revised Audit Manual codifies and streamlines internal audit procedures. It reflects the most recent changes made by the Institute of Internal Auditors to the International Standards for the Professional Practice of Internal Auditing. In addition, a number of practice guidelines have been issued covering topics such as audits of general information and communications technology controls and application systems;

(b) An Inspection and Evaluation Manual has been introduced, providing an operational framework for the conduct of evaluations, fully explaining the work processes and procedures of the Inspection and Evaluation Division and establishing

internal standards, including methodological standards that adhere to those of the United Nations Evaluation Group;

(c) An Investigations Manual was issued to serve as a basis for advancing the current technical and substantive capacity of the staff of the Investigations Division. The Manual covers the process of investigations, including information on staff members' rights and responsibilities. In addition, the Investigations Division has promulgated various standard operating procedures that incorporate significant policy practices to promote fairness requirements during the administrative fact-finding process.

Establishing protocols for quality standards

16. In order to ensure that the highest standards of quality are consistently met, each Division of OIOS has developed quality assurance programmes and initiated quality reviews. The Executive Office and the Office of the Under-Secretary General have also undertaken self-assessments of their respective activities:

(a) The Internal Audit Division was subject to external quality assessments of its activities in Geneva and Nairobi in 2005, and in New York in 2006. Most of the recommendations of these reviews, including recommendations relating to quality improvement, have been implemented. The Division finalized its quality assurance and improvement programme in December 2008. The programme comprises internal assessments, including ongoing monitoring and periodic reviews, and external assessments. However, a significant issue that remains outstanding is a mechanism for ensuring that OIOS is funded independently of the Controller and entities in the OIOS oversight universe. Other significant issues raised by this review related to the introduction of an internal control policy in the Secretariat, including a risk management policy, in order to delineate management's responsibilities as opposed to the responsibility of OIOS, which is internal audit. This distinction is critical if the Secretariat is to uphold good governance and accountability in its operations;

(b) The Inspection and Evaluation Division has also established its own quality assurance system to ensure that all assignments adhere to the quality norms and standards of the United Nations Evaluation Group. During the reporting period, the Division was subject to an external peer review in order to assess the independence, credibility and utility of its evaluation work. Conducted under the auspices of the Evaluation Group and in collaboration with the Development Assistance Committee Network on Development Evaluation, the peer review reported strong positive findings on the independence of OIOS evaluation, as well as overall satisfaction with the credibility of the work it produces. The review recommended that OIOS further disseminate the communication of evaluation findings to increase their utility, particularly for learning purposes;

(c) In 2007, OIOS initiated an internal review of the Investigations Division, conducted by an external expert, which provided valuable inputs for OIOS proposals.[10] The review identified several areas for improvement, including: the optimization of the Office's structure; the establishment of an intake committee; the improvement of internal and external communication; the provision of basic tools and equipment for investigations; the development of procedures for dealing with

[10] A/62/582.

sexual exploitation and abuse cases; and the update and consolidation of the Manual of Investigation Practices and Policies. All these issues have been addressed, as shown in section II of the present report.

17. The Office established dedicated professional practice units in the Investigations Division and the Internal Audit Division to spearhead quality assurance and improvement initiatives and foster professional development. The key functions of these units include: implementing OIOS risk assessment framework;[11] implementing a quality assurance programme; developing tools to increase productivity; and improving performance reporting to management. The Inspection and Evaluation Division, while lacking a dedicated staff capacity to support this function, also employs systematic quality assurance processes to ensure that high quality products are the forefront of their work.

Innovation in oversight processes and methodologies

18. OIOS is continuously seeking innovative processes and methods to improve the work of each of its functional areas:

(a) The functions of the Special Assignments Section, which was created within the Internal Audit Division during the reporting period, include strengthening the Division's capacity to identify and report on fraud risks, conducting audits of a sensitive and complex nature, especially those posing a high reputation risk to the Organization, and increasing coordination of trust funds audits. In addition, two new sections dedicated to the capital master plan and to information and communications technology (ICT) audits were created, respectively, in January 2008 and March 2007;

(b) The Inspection and Evaluation Division undertook an in-depth programme evaluation of the performance and accomplishment of results by UNOCI in 2008. This was the first time that a peacekeeping mission was evaluated in its entirety. OIOS utilizes a variety of qualitative and quantitative methods to support the assessment of the impact of United Nations activities, including local population surveys, where appropriate. This methodology was used in both the programme evaluations of UNOCI and of OHCHR's work in Colombia in order to produce credible evidence on achievements;

(c) The OIOS Investigation Intake Committee was established in 2009 to determine whether information reported to or identified by the Investigations Division should be investigated. Consistent with the procedures of the Division, the Committee's evaluation criteria include the scope of the investigation, applicable legal norms, receivability, jurisdiction, specialized investigative skills and the need for further clarification. The Committee may predicate a reported matter for: (a) assignment for investigation; (b) rejection and registration for information purposes; (c) referral to an appropriate entity to respond to the matter; or (d) suspension pending further clarification.

[11] Applicable only to the Internal Audit Division.

Cultivating a professional workforce

19. A comprehensive skills assessment was completed in 2007 to assess the state of knowledge, skills and abilities of staff against needs and standards and to determine the training necessary to fill the gaps in skill sets.

20. Overall, the funds available for training are scarce. However, subject to the availability of funding, divisions have sought to target training on common departmental needs to foster stronger professional development:

(a) Training initiatives in audit included internal workshops on risk assessment, the revised audit management process and the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission. The Division also embarked on a distance-learning programme on audit report writing in June 2008; provided courses on the essentials of auditing to audit assistants; and organized an annual training conference for resident auditors. The Division has also seen a steady increase in the number of staff obtaining professional certifications, such as the Certified Internal Auditor and Certified Information Systems Auditor programmes;

(b) The Inspection and Evaluation Division organized workshops on basic evaluation skills and on various evaluation methods, including focus groups, surveys, interviewing skills, local population surveys and coding. Selected staff also attended external training on specialized evaluation topics, such as evaluation in post-conflict situations;

(c) The Investigations Division is developing a comprehensive investigation learning programme that includes several modules designed to raise awareness of the managers and to develop the technical skills of staff involved in investigations, for example staff of special investigative units of the Department of Safety and Security. The topics range from general investigative techniques to specialized areas, including investigating sexual harassment. The Division is also exploring investigative tools to best address the challenges related to interviewing and recording statements of minors who are victims in sexual exploitation and abuse cases. Other training modules, including modules on investigating procurement matters and investigating sexual exploitation and sexual abuse, are currently under development.

Optimizing OIOS recommendations monitoring

21. In 2006, in order to streamline and improve the monitoring of the implementation of recommendations, OIOS launched a single recommendation database known as "Issue Track" to replace the seven disparate databases that had been used in the past. Another, further improved, monitoring system will be developed to allow departments and offices to view and update their recommendations online, enabling a continuous dialogue with OIOS on recommendations status.

4. Impediments to work

22. OIOS is extremely concerned that the D-2 vacancy in the Investigations Division remains unfilled. The long impasse on this issue has been duly noted by the report of the Independent Audit Advisory Committee (A/63/737), as well as by the General Assembly in its resolution 63/287. In that resolution, the Assembly took

note of the observations and recommendations contained in the report of the Independent Audit Advisory Committee on vacant posts in the OIOS and requested the Secretary-General to fill the vacancies in the Office in accordance with the existing relevant provisions governing recruitment in the United Nations and the provisions of the resolution. To ensure that the whole of the Investigations Division receives the requisite attention, it is critical that this post be filled expeditiously.

B. Cooperation and coordination

1. Coordination with other United Nations and oversight entities

23. OIOS coordinates regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that potential duplication and overlap in the conduct of oversight work are avoided and to minimize any gaps in oversight coverage. Aside from sharing workplans, the Office holds bimonthly meetings with the Board of Auditors to discuss issues of mutual interest and meets with the Joint Inspection Unit on an ad hoc basis when issues of particular concern arise. The senior representatives of those entities take part in an annual tripartite meeting to discuss oversight coordination, among other things.

24. OIOS led a United Nations system-wide coordinated risk assessment of emergency operations in Myanmar, conducted in collaboration with the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the World Food Programme (WFP), completed in May 2009. This initiative of the Representatives of Internal Audit Services of United Nations organizations aimed to implement a framework for auditing coordinated programmes of the United Nations system that are supported by multiple agencies. This framework was established in response to the lack of a comprehensive view of managerial and coordination problems faced by the various United Nations entities involved in the 2006 tsunami emergency operations. The risk assessment exercise identified key coordination risks relating to conflicting strategies among United Nations entities, including planning deficiencies, staffing constraints and impaired cluster coordination, information sharing and dissemination. The forthcoming report will be issued to the United Nations country team and the United Nations Development Group. This initiative demonstrates the determination of the internal audit services to move towards "One United Nations" in conducting their work. As a result of the successful completion of this assignment, a similar exercise for the Sudan Common Humanitarian Fund is planned in 2009.

25. The Investigations Division has been working in close collaboration with its main counterparts, for example the Conduct and Discipline Unit of the Department of Field Support[12] and the Office of Information and Communications Technology[13] to develop standard operating procedures, and with the Office of Legal Affairs, the Administrative Law Unit, the Ombudsman's Office and the Ethics Office on other matters. In addition, representatives from the Conduct and Discipline Unit, the

[12] On misconduct reporting mechanisms, including those discussed in A/61/19 (Part III).

[13] On requests for ICT in ST/SGB/2004/15.

Administrative Law Unit and the Ethics Office participated in a comprehensive induction programme developed for OIOS investigators.

26. The Office recognizes the value and importance of fostering relationships with its functional peers outside its oversight mandate. During the reporting period, OIOS professionals actively participated in their respective professional networks:

(a) The Internal Audit Division participates in the annual meeting of the Representatives of Internal Audit Services of United Nations organizations where issues such as review of programme performance, audit committees, developments in governance and internal control processes, etc. are discussed and methodologies and training materials are shared with other internal audit offices within the United Nations system;

(b) In January 2008, the Inspection and Evaluation Division participated in a planning meeting on the application of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee guidance on evaluating conflict prevention and peacebuilding activities with Member States, agencies and international organizations;

(c) The Inspection and Evaluation Division also continues to be involved in inter-agency working groups on a wide range of topics such as evaluation and oversight, impact evaluation, evaluation training, quality standards, evaluating the evaluation function and human rights and gender. OIOS is an active member of the United Nations Evaluation Group and participated in decision-making pertaining to the working principles of the Evaluation Group, the professionalization of the evaluation function and evaluation practices. In 2009, the Division has taken up co-chair responsibilities for three task forces of the Evaluation Group on: quality standards; evaluating the evaluation function; and human rights and gender;

(d) The Investigations Division participated in the tenth Conference of International Investigators, which provided a forum for international organizations and multilateral institutions to engage in reform promoting accountability and transparency. At the conference, the Investigations Division presented an outline on how international investigations offices can undertake an external quality assessment of their counterparts to ensure conformity with an organization's legal framework and generally accepted investigation standards.

2. Building oversight capacity across the United Nations system

27. In its effort to enhance advocacy of risk management in the Organization, the Internal Audit Division organized workshops as part of its risk assessments, introducing key concepts and principles of risk management to managers of audited entities. OIOS remains ready to assist the Secretariat in its efforts to adopt an internal control and risk management framework.

28. The Inspection and Evaluation Division contributed to further strengthening self-evaluation in the Secretariat by providing support on evaluation capacity, tools and methods. The Department of Political Affairs, the Department for General Assembly and Conference Management, the United Nations Conference on Trade and Development (UNCTAD) and the Ethics Office have benefited from such support, which included assistance in drafting evaluation policy and conducting surveys on programme performance. The Divisions also provided guidance to various programmes for the evaluation of terms of reference, data collection

methods and report writing. Additionally, the Division acted in an advisory capacity for an external evaluation of the United Nations Campaign for the Millennium Development Goals.

29. The Inspection and Evaluation Division also continued to take the lead on the first national competitive examination for programme evaluation, offered in February of 2008. By the end of 2008, the Division had completed grading the papers of the 278 candidates who took this exam. A final roster of 16 candidates is now available to all Secretariat programmes seeking to hire associate evaluation officers or junior professional staff with good research and analytical skills.

30. In 2007, the Inspection and Evaluation Division initiated the development of an outreach strategy in order to more effectively communicate its findings, analyses and recommendations. The Division has acted on the first component of this strategy, namely the development standard practices to communicate with subject entities during the inspection and evaluation process.

31. Under General Assembly resolution 59/287, the Investigations Division continues to develop and roll out several investigation learning programme modules to enhance investigation capacity across the United Nations system. In cooperation with the Office of Human Resources Management and the Conduct and Discipline Unit of the Department of Field Support, the Investigations Division has successfully launched training sessions on sexual harassment investigations in New York, Timor-Leste, Geneva, Naqoura, Lebanon, and Beirut, and will continue training in other locations. The two-day training programme provides staff members who are involved in investigation processes with the skills needed to analyse and investigate sexual harassment complaints under Secretary-General's bulletin ST/SGB/2008/5.

III. Oversight findings by risk category

32. The information in the present summary of selected findings from the period under review is classified into seven risk categories: strategy; governance; compliance; financial; operational; human resources; and information resources. In the opinion of OIOS, these categories most accurately represent the various types of risk present in the Organization's work environment. Those categories also form a central component of OIOS risk assessment methodologies. Some of the findings describe specific and individual risks, while other risks identified are pervasive in the system, that is, frequently observed in OIOS oversight assignments. Common to them all is the fact that, unless acted upon, they could have an adverse impact on the mandate, operations or reputation of the department/office in question or of the Organization as a whole. It should be noted that findings from the same oversight assignment may be found in several risk categories.

A. Strategy risk

OIOS defines strategy risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Inadequate strategic planning
- Adverse business decisions
- Improper implementation of decisions
- Lack of responsiveness to changes in the external environment
- Exposure to economic or other considerations that affect the Organization

33. In an audit of the HIV/AIDS programme of the United Nations Office on Drugs and Crime (AE2008/361/01), OIOS found that the scope of the programme's activities was much wider than originally mandated in the Secretary-General's bulletin ST/SGB/2004/6. Additional activities, which included services provided at the country level to reduce the spread of HIV among injecting drug users, individuals in prison settings and people vulnerable to human trafficking, risked a duplication of work with other United Nations programmes. Following an OIOS recommendation, the United Nations Office on Drugs and Crime accepted to revise ST/SGB/2004/6 to formally incorporate these additional activities into its mandate, thereby preventing duplication of work with other United Nations programmes.

34. In an audit of the OHCHR Regional Office for South-East Asia in Bangkok (AE2008/336/01), OIOS found that since the strategic planning process did not formally involve key stakeholders such as donors, implementing partners and beneficiaries, there was no assurance of their support. In response to OIOS recommendations, OHCHR has revised its draft guidelines to include key stakeholders in the preparation of the Regional Office's strategic management plan.

35. OIOS review of results-based management at the Secretariat (A/63/268) found that the established systems and procedures of budget planning and expenditure management do not reconcile with "programmatic" records. "Expected accomplishments" are not given cost estimates, and "indicators of achievement" cannot be utilized to inform resource allocation. By focusing mainly on the scrutiny of posts and other inputs, the budget process does not make clear reference to strategic priorities. As a consequence, the planning and budgeting process does not adequately serve the management needs of the Organization, nor does it facilitate an appropriate level of strategic debate and decision-making. OIOS recommended that a comprehensive review and the reformulation of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation Planning (ST/SGB/2000/8) be undertaken. The review should address the instruments, structure and timetable of the resource planning and decision-making process of the

Secretariat, as well as the roles and responsibilities of the parties involved in this process. The recommendation has been accepted.

36. In its report on the status of programme performance documentation requirements (INS-COM-08-002 and INS-COM-09-001), OIOS found significant shortfalls in systematic availability of data on progress against planned achievements. This hindered the determination of the relevance and effectiveness of the programmes. Such a gap in data records will affect the future assessment of progress made. This issue was also raised to the General Assembly through the OIOS report on results-based management at the Secretariat (A/63/268) as a systemic weakness of the results-based management framework.

37. The OIOS evaluation of support to least developed countries, landlocked developing countries, small island developing States and Africa (E/AC.51/2009/2) found that an inadequate accountability framework hinders the effectiveness of the programme under budget section 11 (United Nations support for the New Partnership for Africa's Development). In particular, there is no single senior officer responsible for overseeing the United Nations support to the New Partnership, whose programmes are implemented by three organizational units: the Office of the Special Adviser on Africa, the Economic Commission for Africa and the Department of Public Information. In addition, the potential for synergy between the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and the Office of the Special Adviser on Africa as small offices with overlapping mandates has not been fully exploited. OIOS recommended that the Secretary-General assess the potential efficiency that would be gained by combining the administrative and advocacy functions of the two Offices for the consideration of the Assembly. OIOS also recommended that the three subprogrammes under section 11 of the budget be brought under the responsibility and oversight of a senior officer. The recommendations were considered by the Committee for Programme Coordination at its forty-ninth session. The Committee regretted that OIOS had expressed support for an alignment of functions between the two Offices although the Assembly had decided not to approve that proposal.

38. In the inspection of the Department of Public Information (IED-09-001), OIOS found that the organizational structure of the Department was complex and compartmentalized, causing an unclear distribution of roles and responsibilities. This lack of a clear chain of accountability affects programme coordination and effectiveness. Moreover, there is a risk of duplication of activities between the United Nations information centres located in countries with active peacekeeping operations or special political missions and the information units of peacekeeping operations. OIOS recommended that a further review of the organizational structure of the Department be conducted in order to identify opportunities for consolidation and to address the issue of accountability in decision-making. OIOS also recommended that the Department, in consultation with the United Nations Communications Group, prepare specific guidance on the coordination of its activities with the United Nations country teams and United Nations information centres. These recommendations have been accepted.

B. Governance risk

OIOS defines governance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Failure to establish appropriate processes and structures to inform, direct, manage and monitor the activities of the Organization
- Insufficient leadership within senior management
- Absence of promotion of an ethical culture in the Organization

39. In an audit of the efficiency, effectiveness and quality of services provided to beneficiaries of the United Nations Joint Staff Pension Fund (AS2008/800/01), OIOS found a lack of clarity in the respective responsibilities of the Fund, the staff pension committees of member organizations and their pension secretaries regarding the benefit approval and payment process. Moreover, the absence of a specific time frame for the submission of separation documents by member organizations and the lack of clear procedures for follow-up with member organizations resulted in delays in delivering benefit payments. OIOS recommended that the secretariat of the Fund work with member organizations and their pension secretaries to develop a strategy to define responsibilities and formal agreements to ensure the timely submission of required documentation. This issue will be addressed by the staff pension committees in 2009.

40. In an audit of the two-track system of the United Nations Joint Staff Pension Fund (AS2008/800/04), OIOS found that there were no documented operational procedures on the application of the currency criteria set forth in the pension adjustment system[14] and no clear criteria to justify decisions for establishing a local currency base amount. These factors, coupled with fluctuations of economic conditions in certain countries, have made it difficult for the Fund to determine pension benefits under the two-track system, thus delaying benefits for certain retirees. OIOS recommended, inter alia, that the Fund develop formal procedures to guide the process for the establishment, suspension or discontinuance of currencies eligible to participate in the two-track system. OIOS further recommended that the Fund elaborate on the criteria for currencies in quantitative terms and identify triggers for the review of the conditions of a country. The management of the Fund explained that it intended to further address this issue through the establishment of a high-level technical evaluation and risk management unit that it was proposing in its next budget submission.

41. In an audit of the United Nations Office on Drugs and Crime, office for the Russian Federation and Belarus (AE2008/366/01), OIOS found weaknesses in the

[14] The two-track system is a feature of the pension adjustment system whereby the pension benefit is calculated and paid in the currency of the country where the beneficiary resides.

planning and monitoring of a $17 million project, one of the largest HIV/AIDS projects in the Russian Federation. The project lacked overall targets in terms of coverage and anticipated outputs, as it had started, contrary to the instructions of the United Nations Office on Drugs and Crime, without the prior approval of the Government and regional authorities. The project implementation rate was low; for example, only 3 per cent of the funds allocated for 2008 had been utilized at the time of the audit in the middle of that year. Moreover, the absence of targets made it difficult to evaluate the project results. The United Nations Office on Drugs and Crime accepted the OIOS recommendations to set targets for the remaining period of the project, assess the adequacy of the remaining period of the project and discuss possible extensions with donors.

42. In an audit of the automated system for customs data of the United Nations Conference on Trade and Development (UNCTAD) (AE/2007/341/1), OIOS found mismanagement in the selection of a software application distributed to countries participating in the programme. In the opinion of OIOS, this resulted from a lack of oversight of the programme by UNCTAD and inadequate governance, which did not allow for effective monitoring and review of major decisions. Following a recommendation by OIOS, UNCTAD advised that it will launch a new software application in 2010 so as to fully comply with United Nations rules.

43. OIOS conducted an audit of the adequacy of the arrangements for implementing the clean development mechanism[15] at the secretariat of the United Nations Framework Convention on Climate Change (AA2008/241/01). Overall, OIOS found that the secretariat needed to further strengthen existing arrangements for the implementation of the mechanism. In particular, OIOS found that no single document captured the additional responsibilities arising from the gradual shift to greater involvement in substantive issues, including the pre-assessment of project cases, which could result in inadequate guidance and unclear accountability. In its response to a draft of the present report, the secretariat of the Convention indicated that the management plan for the clean development mechanism for 2009 consolidates the existing provisions relating to the roles and responsibilities for its implementation.

44. In an audit of security operations in United Nations Office at Nairobi (AA2007/211/03), OIOS found that interaction and coordination of the security management team with other security actors, such as the United Nations country team, had yet to be established. As a result, the sharing of responsibilities between various security actors was not clearly defined, a fact which could result in confusion and lack of preparedness in the event of an emergency. Following the recommendation of OIOS, the Office agreed to implement coordination mechanisms with the United Nations country team to address these shortcomings.

45. In an audit of the Information Technology Services Division (AH2007/513/05), OIOS identified control weaknesses in the procurement and management of certain outsourced activities. In particular, OIOS found that officials of the Division had contravened standards of conduct of international civil servants by communicating with a vendor prior to a bidding process. After the award of the contract, the officials continued to refer their preferred candidates to the vendor for

[15] The clean development mechanism allows a country with an emission-reduction or emission-limitation commitment under the Kyoto Protocol to implement an emission-reduction project in a developing country, which can earn saleable certified emission-reduction credits.

assignments at the United Nations. OIOS made recommendations to investigate the circumstances of this violation and to take appropriate action to address any improprieties or any conflict of interest. The recommendation was not accepted, based on the argument that the alleged violation did not take place. OIOS maintains that documentation found on the premises of the vendor was evidence of the referrals made by the officials, and it therefore reiterates its recommendation.

46. In an audit of the management of the Office of the Special Adviser on Gender Issues and Advancement of Women and the Division for the Advancement of Women of the Department of Economic and Social Affairs (AN2008/540/01), OIOS found that there was no cohesive framework to measure global progress on the advancement of women within the United Nations system in the context of the goals agreed upon in the Beijing Declaration and Programme for Action. The lack of an adequate performance monitoring framework has resulted in primarily anecdotal progress reports and, that being the case, progress is not readily comparable or measurable. OIOS recommended that the Department of Economic and Social Affairs, in consultation with the Commission on the Status of Women and major stakeholders, review the programme of work to facilitate the follow-up of internationally agreed goals. The Department accepted the recommendation.

47. The report of OIOS on the evaluation of implementation of the Secretary-General's 2007 commitment to move the United Nations towards climate neutrality (IED-09-002) found that climate neutrality cannot be reconciled with inaction on travel, the largest source of United Nations emissions. There remain a number of critical issues that must be addressed so that the Organization can credibly claim to be moving towards climate neutrality. OIOS recommended that the focus be placed on implementing concrete measures for reducing greenhouse gas emissions, especially emissions as a result from official travel. OIOS also expressed its strong concern that personal accrual of "frequent flyer air miles" poses a potential conflict of interest. OIOS has been advised that the Secretary-General's climate change team has completed its first annual assessment of the carbon footprint of the Office of the Secretary-General, including the travel of the Secretary-General and of those in his entourage. In addition, the Secretary-General informed OIOS that internal consultations are under way to propose emissions-reduction measures but that the frequent flyer miles issue goes beyond climate neutrality and should be considered in the context of an overall travel policy for the Organization. OIOS expressed its support for the development of a sustainable travel policy and noted with interest that the Travel and Transportation Section of the Office of Central Support Services has explored the possibility of attributing frequent flyer points to the purchase of carbon offsets. OIOS encourages further study in this area and reiterates the need to ensure that the accrual of personal frequent flyer points does not influence decisions on when, where and how to travel.

48. The thematic evaluation of United Nations coordination bodies (E/AC.51/2009/6) assessed the work of seven bodies[16] established to coordinate the activities of Secretariat programmes. OIOS found that the bodies made a positive contribution to policy alignment and information sharing, but that they were less

[16] The Executive Committee on Peace and Security, the Executive Committee on Economic and Social Affairs, the Executive Committee on Humanitarian Affairs, the United Nations Development Group, the Senior Management Group, the Policy Committee and the High-level Committee on Programmes of the United Nations System Chief Executives Board for Coordination.

effective in coordinating programme delivery and strengthening the performance of the Organization. As such, they are not fully implementing their coordination mandates, thus increasing the risk of duplicative activities and missed opportunities for greater complementarity and coherence in programme planning and implementation. Weaknesses in the structures and working methods of the bodies, such as unclear membership and convener roles, inadequate meeting procedures and poor monitoring and measurement of performance, hinder the achievement of their objectives. OIOS recommended that the seven coordinating bodies strengthen their working procedures by creating well-defined terms of reference and membership criteria, results-based workplans, forward-looking agendas and easily accessible websites. OIOS also recommended that their respective roles and mandates be reviewed and refined, and that the information flow between the bodies be enhanced. The Committee for Programme and Coordination recognized the importance of the United Nations coordination bodies and recommended that the General Assembly request the Secretary-General to further enhance their work in order to improve the effectiveness of programme delivery and organizational performance of their member organizations.

C. Compliance risk

OIOS defines compliance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from violations of or the failure or inability to comply with laws, rules, regulations, prescribed practices, policies, procedures or ethical standards.

49. In an audit of the contract between the United Nations and the American Express Travel Related Services Company Inc. for the provision of travel management services (AH2008/513/03), the company responded very slowly to requests for certain information, which hampered the completion of the audit. Ultimately, OIOS, not having received all the information it had requested, was forced to scale back the scope of the audit. In the opinion of the Office, refusal of American Express to provide the requested material constituted a violation by the company of the terms of its contract. Moreover, OIOS found that the procurement process was not conducted in compliance with the United Nations procurement principles. Overall, the selection process appeared to favour the company that was awarded the contract. The technical evaluation showed that two other vendors that presented lower bids were rejected, despite meeting the required technical criteria. OIOS recommended that the Department of Management request American Express to comply fully with the audit clauses of the contract. Failing such compliance, OIOS recommended that the Department initiate sanctions against the company. This recommendation was not accepted by the Department of Management, which stated it was not in a position to impose such sanctions. The Department also rejected the recommendation of OIOS that a determination be made on accountability for non-compliance with the Financial Regulations and Rules, of the United Nations, stating that the source selection plan for the procurement exercise

was only introduced in 2007, and was not, therefore, applicable to the selection process of American Express in 2004. OIOS noted, however, that the source selection plan was in effect in 2004, as set out in section 11.2 of the 2004 Procurement Manual, and reiterated its recommendation to determine accountability for the lapses.

50. In the same audit, OIOS found that inadequate control over the contract's implementation resulted in ineffective cost containment. Whereas the contract stated that American Express would be reimbursed only for direct operating expenses budgeted and approved by the Organization, there was no written approval of the budget nor any evidence that it had been reviewed. In addition, payments for salary adjustments were processed without submission of appropriate supporting documentation by the company. Travel management services expenditures without appropriate supporting documentation increased from $1.2 million in 2006 to $1.4 million in 2007, and were estimated to be $1.8 million in 2008 — a 50 per cent increase between 2006 and 2008. The Department of Management agreed to determine accountability for these lapses and to ensure that future annual budgets are properly reviewed.

51. The same audit also found that American Express had been providing travel payment services to the United Nations without a contract for the past four years, even though another company had won the award for such services. Consequently, the Organization had lost the opportunity to benefit from at least $1.6 million in rebates from the selected company from January 2005 to November 2008 and might continue to miss the opportunity of saving $500,000 per year. The Department of Management explained that the contract with the selected company had not been concluded owing to ongoing negotiations related to operational, legal and financial issues. OIOS recommended that the Department document the reasons why the contract for travel payment services was not concluded in a timely manner and take appropriate action to determine accountability for the resulting losses. The Department also stated that a second bidding exercise had been initiated. OIOS further recommended that the Department take the necessary interim measures to minimize losses until the conclusion of the travel payment contract with the winner of the new bidding exercise.

52. In an audit of procurement management at the United Nations Office at Vienna and the United Nations Office on Drugs and Crime (AE2008/635/01), OIOS found significant weaknesses in procurement activity planning. There was no annual procurement plan, nor any mechanism to identify field office projects with significant procurement budgets. Uncertain project funding contributed to difficulties in planning procurement expenses. As a result, the Procurement Section had missed opportunities to consolidate its procurement needs and thereby benefit from cost reductions. The Office accepted OIOS recommendations to hold annual meetings with major requisition offices to plan future needs and to refer projects with high procurement budget to the Procurement Section during the planning phase. The Office indicated that, as of 2009, all projects with procurement elements must be cleared by the Procurement Section and that field offices that expect substantial procurement have already submitted their respective procurement plans for the current year.

53. In its audits of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Kenya (AR2007/112/02), Thailand

(AR2008/141/01), South Africa (AR2007/113/01), Khartoum and East Sudan (AR2007/115/01) and Iraq (AR2007/131/03), OIOS identified a systemic failure by UNHCR field operations to comply with UNHCR guidelines on the safeguarding of property through inventory control. UNHCR cited inadequate resources as the reason for failing to conduct physical inventory. However, in the opinion of OIOS, the main cause was management failure to ensure adequate inventory controls, resulting in a risk of inappropriate use or loss of assets. Following OIOS recommendations, UNHCR representatives stated that physical inventories would be conducted and completed and the asset records updated by December 2008.

54. In an audit of the UNHCR Liaison Office in Manila (AR2007/141/02), OIOS found that a former staff member had falsified the Office accounts in order to hide a misappropriation of approximately $362,000 between January 2004 and February 2007. The fraudulent activities remained undetected mainly owing to a lack of basic internal supervisory controls and the absence of adequate control procedures during the transition to the new enterprise resource planning system. Based on OIOS recommendations, UNHCR senior management is considering launching an internal inquiry to establish the responsibility of UNHCR managers over the significant control deficiencies observed, although no significant action had been taken to resolve this situation as yet. The former staff member responsible for the fraud is currently untraceable and, as yet, no funds have been recovered.

55. In an investigation at the Office for the Coordination of Humanitarian Affairs (0609/08), OIOS substantiated a report that an international staff member had submitted fraudulent education grant claims of over $65,000. This matter is pending the outcome of the internal disciplinary process, including the recovery of financial loss.

56. In an investigation at UNCTAD (0094/09), OIOS established that an international staff member facilitated the illegal entry of a foreign national to France. The staff member provided the French authorities with forged documents purporting that the individual was officially invited to attend a United Nations conference. This matter is pending the outcome of the internal disciplinary process.

57. In an investigation at the Economic and Social Commission for Western Asia (0503/08), OIOS established that a senior United Nations officer put himself and security officers of the Department of Safety and Security at risk when he instructed them to transport him and a Government official through Beirut, contrary to a travel ban restricting movement through the city at that time. Shots were fired at their vehicle, injuring one security officer and damaging the vehicle, which belonged to the United Nations. The findings of the investigation were forwarded to the Secretary-General and are pending the outcome of the internal disciplinary process.

58. In an investigation conducted at United Nations Headquarters (0176/08), OIOS substantiated that, for several years, an international staff member repeatedly misused ICT resources of the Organization by obtaining, storing and distributing inappropriate messages containing pornography, contrary to the provisions set out in the Secretary-General's bulletin ST/SGB/2004/15 on the use of ICT resources and data. A review of forensic evidence revealed that the staff member used his official e-mail account to send inappropriate material through a distribution list of approximately 85 official United Nations e-mail addresses.

59. In addition, OIOS established that the staff member stored over 12,000 photographs and 699 video clips depicting pornography or images with sexual content. The staff member, who admitted his improper conduct to OIOS, was subsequently charged with misconduct and later dismissed from the Organization. It should be further noted that since the completion of that investigation, OIOS has investigated and issued related reports involving more than 80 staff members whose names appeared in the distribution list of the above staff member and who, albeit to various degrees, were engaged in similar wrongful conduct. These reports are pending internal disciplinary process.

60. An OIOS investigation (0202/09) substantiated a report that a staff member from the Department of Economic and Social Affairs was arrested by the authorities of a Member State for possessing child pornography. More specifically, after examining his personal belongings at an international airport where the staff member had arrived on a personal trip from New York, the authorities found an electronic memory device containing explicit electronic images depicting child pornography. A subsequent forensic examination conducted by national authorities revealed over 800 images on various electronic media in that staff member's personal belongings. On 17 April 2009, the staff member pleaded guilty before a court to possession of child pornography and smuggling of prohibited goods under the relevant criminal provisions of that Member State. He was sentenced to 90 days in jail. A subsequent OIOS forensic review of the staff member's United Nations computer data and official e-mail account did not reveal any inappropriate material. This matter is pending internal disciplinary process.

61. An OIOS investigation (0005/08) substantiated reports that an international staff member assigned to United Nations Headquarters misused United Nations documentation and forged the signature of another staff member to obtain $5,000 from an outside party under the pretext of arranging a "serious candidacy" for a "Directorship" at a non-existent "2008 United Nations fashion show". The money was returned to the complainant before the completion of the investigation. The staff member left the Organization before the finalization of the disciplinary process.

62. An OIOS investigation at the International Criminal Tribunal for Rwanda (0671/06) substantiated reports that an assignment grant of $9,724.40 and a residential security allowance of $1,800 were wrongly paid to a staff member based on false claims. The staff member submitted false information regarding her residence in order to benefit from an assignment grant and security allowance for which she was not eligible. The staff member acknowledged that she had submitted false claims. Following an OIOS recommendation that the United Nations take appropriate action, the amount paid to the concerned staff member was recovered. The staff member was separated from the Organization.

63. In an investigation at the United Nations Office at Nairobi (0112/08), OIOS established that a staff member engaged in unauthorized outside activities without seeking prior approval from the Secretary-General. OIOS substantiated reports of an illegal scheme, whereby the staff member obtained $80,000 from other staff members and outside parties under false pretences. The staff member untruthfully claimed that she would invest and repay the money at a monthly interest rate of 20 per cent. The staff member has been separated from the Organization.

64. In an investigation at the Economic Commission for Africa (0041/06), OIOS substantiated reports of an irregular payment of an education grant to a former staff member, resulting in a financial loss of $59,403 to the Organization. The former staff member submitted past-due claims, which were rejected at the time because they did not meet requirements. Later, however, a senior staff member certified the rejected claims, resulting in improper payment. The matter is pending outcome of the internal disciplinary process, including possible action against the staff member who improperly certified the payment and financial recovery from the former staff member.

65. In several investigations at the United Nations Office at Nairobi (0531/07; 0045, 0046, 0047/09), OIOS substantiated reports on misrepresentation by a number of staff members in the Security and Safety Section. The concerned staff members submitted false information in their respective personal history profiles and provided fraudulent documents purporting to be from previous employers. These false submissions were identified as a result of improved background checks on all security officers by the Security and Safety Section. OIOS recommended that appropriate action be taken against the concerned staff members and that the matter be referred to the local law enforcement authorities. The matter is pending outcome of the internal disciplinary process.

66. In another investigation at the Economic Commission for Africa (PTF-R008/08), the former OIOS Procurement Task Force substantiated reports of fraud and cases of conflict of interest. A retired United Nations staff member fraudulently claimed dependency benefits to which he was not entitled. The exact amount of the loss, which occurred over a period of more than 20 years, has yet to be determined. The Task Force also found evidence that the same staff member co-owned, managed and was associated with several private businesses while employed by the Organization, without the authorization of the Secretary-General. In the same investigation, the Task Force substantiated reports that another staff member of the Economic Commission for Africa was actively involved in managing private entities and engaged in outside activities without the authorization of the Secretary-General. This staff member failed to report a conflict of interest relating to two United Nations vendors with whom he interacted in his official capacity. These matters are pending outcome of the internal disciplinary process.

67. The former OIOS Procurement Task Force (PTF-R009/08) substantiated claims that a staff member participated in a scheme to defraud the United Nations and embezzle funds of the United Nations Development Fund for Women. The funds had been allocated for a humanitarian project aimed at assisting the people of Iraq. The evidence showed that the fraudulent scheme was achieved by steering $350,000 allocated for the project to a preferred vendor and subsequently assigning a substantial part of this amount to the personal use of the staff member. The matter is pending outcome of the internal disciplinary process.

68. In an investigation at the United Nations Office for Project Services (UNOPS) (PTF010-08), carried out at the request of the Executive Director of UNOPS, the OIOS Procurement Task Force substantiated claims that a former international staff member involved in operations in Afghanistan and Dubai repeatedly violated the rules and regulations of the United Nations by misappropriating funds in an egregious manner and engaging in fraudulent and unlawful acts. The evidence revealed that the staff member repeatedly used funds for personal purchases and

expenditures and awarded a contract without following normal procurement process. To conceal and perpetuate these acts, the staff member created a false and fraudulent document, coerced subordinates to assist his fraudulent scheme using fear and intimidation and failed to submit proper, thorough documentation. The total sum misappropriated by the staff member in carrying out these wrongful and fraudulent actions is $479,000. All recommendations of the report have been implemented by UNOPS management, most of them before the issuance of the present report. The matter has also been referred to national law enforcement authorities for possible criminal prosecution.

D. Financial risk

OIOS defines financial risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Failure to obtain sufficient funding
- Inappropriate use of funds
- Inadequate management of financial performance below expectations
- Inappropriate reporting and disclosure of financial performance

69. In an audit of the Myanmar country office of the United Nations Office on Drugs and Crime (AE2007/365/03), OIOS found that the use of funds allocated to non-governmental organizations in charge of implementing projects, totalling $1 million, which represented 59 per cent of the total funds allotted to the Myanmar country office for 2007, was not monitored. Project staff believed that they were responsible only for monitoring the technical aspects of the projects, although their terms of references clearly indicated that they were responsible for both technical and financial monitoring. Management failed to ensure that project staff monitored the use of funds. In addition, the contracts with non-governmental organizations did not give the country office access to their financial records, risking misuse of the funds. OIOS recommended that the country office ensure that project managers closely monitor and report periodically on the use of funds by non-governmental organizations. The United Nations Office on Drugs and Crime agreed and implemented the recommendation. The country office indicated that it continues to conduct quarterly review meetings with implementing partners, site visits and reviews of the interim financial reports of implementing partners. Project staff review and monitor budgets, costed workplans and semi-annual and annual technical and financial reports.

70. In an audit of financial management in the secretariat of the United Nations Convention to Combat Desertification (AA2008/242/01), OIOS found that the secretariat, owing to lack of capacity, had no fund-raising strategy to support its programme of work. This could result in inability to implement programmes and put the reputation of the Organization at risk. OIOS recommended that the secretariat

develop a fund-raising strategy. In response to discussions held during the audit, a post was established at the P-5 level, including functions for the development of a fund-raising strategy.

71. In its audit of the Juba initiative project of the Office for the Coordination of Humanitarian Affairs in the Sudan (AN2008/590/05),[17] OIOS found weaknesses in the project's accountability framework. Oversight responsibilities were not clearly delineated, resulting in project inefficiencies. OIOS also found several instances of non-compliance with financial control requirements. For example, the OCHA office in Juba was approving payments without exercising adequate controls over the process. In addition, there was no umbrella agreement between the Office for the Coordination of Humanitarian Affairs and the Government of South Sudan to govern the various agreements relating to this project, creating gaps and inconsistencies in administering the entitlements for delegates and staff involved in the project implementation. The Office for the Coordination of Humanitarian Affairs indicated that it was taking note of the recommendation of OIOS in order to address these weaknesses in executing its future projects.

E. Operational risk

OIOS defines operational risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Inadequate, inefficient or failed internal processes
- Failure to carry out operations economically, efficiently or effectively

72. In an audit of the pension administration system (PENSYS) system and document imaging at the United Nations Joint Staff Pension Fund (AT2008/800/01),[18] OIOS found that the system operations function was not adequately segregated from the development function — a fundamental control requirement. This increased the risk of unauthorized access to the pension administration system and of the unauthorized generation of transactions. Moreover, security responsibilities were not assigned. OIOS recommended that the Fund implement compensating controls to mitigate the risks arising from the lack of segregation of duties in the key ICT functions of the system. OIOS also recommended that the Fund ensure the proper segregation of roles for the new system. The Fund accepted the recommendations and reported that their implementation was under way.

73. In an audit of the completion strategy of the International Tribunal for the Former Yugoslavia (AA2008/270/01), OIOS found that significant progress had

[17] The Juba initiative project was an initiative of OCHA to provide funds for the Juba peace process mediated by the Government of South Sudan to support the peace talks between the Government of Uganda and the Lord Resistance Army/Movement (LRA).

[18] See para. 79 for another finding of the same audit report.

already been achieved in areas such as inter-organ coordination, effective information management, judicious deployment of resources, staff retention and reduction in the length of trials and appeals. However, additional focus could further reduce the risk that the completion strategy targets are adversely affected. OIOS recommended that administration of the International Tribunal for the Former Yugoslavia continue to improve internal coordination and information management, assess the impact of measures aimed at reducing the length of trials and ensure retention of key staff and effective allocation of resources.

74. In its audits of six donor-funded projects of Economic Commission for Africa (AA2008/710/05, AA2008/710/06, AA2008/710/07, AA2008/710/08, AA2008/710/09 and AA2008/710/10), OIOS found that projects were not implemented and completed in a timely manner. The delays were caused by the inadequate consideration of factors that affected the delivery of project outputs before setting timelines with donors and the untimely liquidation of obligations, mainly with UNDP, for the services rendered on behalf of the Commission. The delay in closing some projects could lead to the perception on the part of the donors that the Commission is not able to manage and deliver projects as agreed. The Commission accepted the recommendations of OIOS that immediate action should be taken in order to improve the procedures for project agreements, that timelines should be established, that an action plan should be set up in order to solve outstanding obligations with UNDP for the 2004-2007 period and that the projects should be closed.

75. The OIOS evaluation of the Peacebuilding Fund (IED-08-06) identified risks in its performance and operations. While the Fund fills a clear peacebuilding niche and has seen some early results in contributing to peaceful dispute resolution, it has not yet fully fulfilled its two key objectives, namely quickly identifying and funding the most critical peacebuilding gaps and catalysing more substantial and sustainable peacebuilding funding in the countries it assists. The optimal use of the Fund is hampered by insufficient strategic focus and inadequate work processes, weak decision-making and accountability, lack of technical capacity and poor performance reporting. As a result, the full potential of the Fund as a vital peacebuilding tool for countries that require urgent peacebuilding support has not been realized. OIOS recommended that the role of the Fund be clarified and that a strategic internal resource assessment be conducted. OIOS also recommended that decision-making, accountability mechanisms and delays in project implementation be addressed and improved. The Peacebuilding Support Office has already started to implement these recommendations.

F. Human resources risk

OIOS defines human resources risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to develop and implement appropriate human resources policies, procedures and practices.

76. The in-depth evaluation of the Office of Human Resources Management (A/63/221) found that it is not fully effective in its role as the central authority responsible for strategic human resources planning and policy development, delegation of human resources authority and direct provision of human resources services. This is due to unclear prioritization of human resources initiatives, insufficient human resources management planning and policy development, a lack of clarity on human resources roles and limited monitoring of delegated authorities. Consequently, key human resources objectives, such as a timely and credible staff recruitment process, the selection and retention of a highly qualified and mobile staff, geographical distribution and gender goals and an integrated approach to career development are not being achieved. To address this risk, OIOS recommended that the Office of Human Resources Management make improvements to the staff selection process, career development and staff mobility programmes, policy development, reform initiatives, delegation of authority and monitoring. The Office of Human Resources Management has taken action to begin implementation of these recommendations.

G. Information risk

OIOS defines human resources risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to establish and maintain appropriate ICT systems and infrastructure.

77. In an audit of ICT systems planning and governance structures (AH2006/513/07), OIOS determined that several significant ICT initiatives had not been subjected to pre- and post-implementation reviews, as required by established United Nations procedures. This could result in inefficiencies and misalignment between ICT initiatives and the Organization's goals. OIOS recommended that the Office of Information and Communications Technology establish procedures to ensure that all significant initiatives were adequately substantiated, reviewed and approved. The Chief Information Technology Officer accepted the recommendation and reported that the project management officer post envisioned for the new ICT strategy (A/62/793) would address project reviews for all major projects.

78. In the same audit, OIOS found that the enterprise resource planning project had no defined human and financial resources allocation and transition plans nor any implementation time frame. The inadequate planning of the project exposes the United Nations Secretariat to the risk of inefficient use of resources and insufficient skills for its implementation. OIOS recommended that the steering committee of the project ensure that sufficient resources were allocated and detailed plans for transition arrangements established. OIOS also recommended that the steering committee suspend further investment in new systems until criteria regarding their acquisition, development, continuing funding and maintenance are endorsed by the Executive Committee on Information and Communications Technology. The Office of Information and Communications Technology accepted these recommendations.

79. In an audit of the pension administration system (PENSYS) system and document imaging at the United Nations Joint Staff Pension Fund (AT2008/800/01),[19] OIOS found that delays in the calculation of benefits were due to the insufficient quality of data feeding the pension administration system. The delays resulted from more than 10,000 participant reconciliation exceptions in the data received from several human resources systems. The pension administration system uses data provided by over 70 participating United Nations entities, including the United Nations Secretariat, funds, programmes, peacekeeping missions and the specialized agencies. OIOS recommended that the United Nations Joint Staff Pension Fund bring this critical issue to the highest level of management in the participating member organizations. The Fund accepted the recommendation and stated that the data enhancement was a continuing process.

80. In an audit of ICT governance and security at the Department of General Assembly and Conference Management (AT2008/550/01), OIOS found that an important initiative pertaining to the enhancement of the Official Document System lacked adequate monitoring mechanisms. The absence of a proper monitoring function, which should have been performed by the governing body or the lead office, the Office of Information and Communications Technology, or its predecessor, the Information Technology Services Division, prevented the timely identification of issues relating to the inadequate coordination and ownership of the project. OIOS recommended that the Chief Information Technology Officer, in consultation with the Department for General Assembly and Conference Management and the Department of Public Information, establish a subcommittee of the Committee on Information Management to oversee the enhancement of the Official Document System. The Department for General Assembly and Conference Management accepted the recommendation and indicated that such a committee had been formed.

81. In an audit of the UNHCR human resources module of the PeopleSoft system (AR2008/162/02), OIOS found that the implementation of the module lacked basic controls, such as: (a) a strategy for the roll-out in the field of this module; (b) adequate workflow and data validation; and (c) adequate auditing functionality within the module. These shortfalls affected the effectiveness of this module and exposed UNHCR to information integrity risks. UNHCR accepted most OIOS recommendations to remedy the situation, agreed that there was a need to enhance accountability and suggested applying alternative mechanisms, in combination with the implementation of the other audit recommendations.

82. In addition, in another audit of the level of information technology security of the PeopleSoft system at UNHCR (AR2008/166/01), OIOS found critical weaknesses, including a lack of information security policies, the absence of dedicated information security officers, an outdated business continuity plan and inadequate incident response procedures. The strategic approach for the adoption of the new system did not adequately consider the fundamental requirements for data confidentiality, integrity and availability. The UNHCR administration accepted most OIOS recommendations to remedy the situation.

[19] See para. 72 for another finding of the same audit report.

IV. Mandated reporting requirements

A. Capital master plan

83. In accordance with General Assembly resolution 62/87, OIOS is responsible for reporting on the activities of the Capital Master Plan Audit Section during the reporting period.[20]

84. With two full time auditors dedicated to auditing the capital master plan operations, OIOS has developed its expertise in construction auditing. The risk assessment of the capital master plan allowed the identification of 90 risks and four main risk types: delays, funding, project complexity and decision-making. More than half of the risks identified were considered high level. The 2009 workplan for the internal audit of the capital master plan was prepared based on the result of the risk assessment. Highlights of the four audits completed during the reporting period are presented below.

85. The audit of the provision of alternative offices, storage and other facilities during the execution of the capital master plan (AC2008/514/08) indicated that:

(a) The majority of departments and offices in the United Nations Secretariat had not complied with policies on record keeping and management of United Nations archives, as per the Secretary-General's bulletin ST/SGB/2007/5;

(b) There have been no digitization guidelines covering taxonomy and metadata standards, retention and disposition, information security and accessibility of digital records in the United Nations. Since the audit was carried out, the Department has indicated that several meetings have been held on digitization initiatives and the respective focal points have been established in various departments. The Department further explained that the Office of Information and Communications Technology has prepared a technical guidance on digitization. OIOS also found that digitization costs were not included in the capital master plan budget. In the opinion of OIOS, such costs should be incorporated in departmental budgets in order to avoid overexpenditure of the capital master plan budget;

(c) There were delays (averaging 110 days for 6 contracts) in finalizing guaranteed maximum price contracts. These delays contributed to the postponing of scheduled staff moves to swing spaces for three months.

86. The audit of the capital master plan's project budgeting and financial control processes (AC2008/514/04) identified variances between projected costs as at August 2007 and September 2008. These were attributable mainly to construction cost inflation or changes of scope, such as the size increase of the North Lawn Conference Building, a redesign after the adoption of the accelerated strategy, and changes as a result of the value engineering exercise. The Office of the Capital Master Plan accepted the recommendation of OIOS to ensure that causes of variances are explained in future reports to the Secretary-General in order to enhance accountability and give interested parties a better understanding of factors affecting the project.

[20] All OIOS reports are available to Member States, as stated in General Assembly resolution 59/272, para. 1 (c) upon request.

87. An audit of the capital master plan's value engineering process (AC2008/514/03) concluded that the Office of the Capital Master Plan followed a suitable process for identifying value engineering savings. This contributed to a reduction of approximately $100 million of the projected budget shortfall at the time of the audit. The audit found that the Office of the Capital Master Plan has embedded value engineering into its culture and is applying it in a manner that has not compromised project objectives. However, OIOS observes that value engineering savings alone may be insufficient to avoid exceeding the capital master plan budget.

88. A further audit was conducted on the security provisions applied to staff, site and assets during the execution of the capital master plan (AC2009/514/05). The Office of the Capital Master Plan and the Department of Safety and Security accepted the findings and conclusions of the report. The scope included security arrangements for design and compliance with contractual obligations. The report made 14 recommendations, of which 11 had already been implemented by the time the report was issued in December 2008, two were in progress and one is to be followed up.

B. United Nations Compensation Commission

89. In accordance with General Assembly resolutions 59/270 and 59/271, OIOS presents its audit activities relating to the United Nations Compensation Commission. During the reporting period, the Commission allocated $50,000 per year for OIOS audit.

90. The Compensation Commission continues to disburse award payments and to monitor environmental projects undertaken by claimant Governments with funds awarded in response to environmental damage. As at 31 May 2009, the operations of the Compensation Commission had been downsized to four staff members, including the Executive Head. The follow-up programme for environmental awards had two professional staff with four more under recruitment.

91. At its last session in April 2009, the Governing Council started discussions on the future structure of the follow-up programme for environmental awards and directed the Secretariat to convene a group of experts that would prepare feasible options. The Governing Council will continue deliberating on this issue at its next session in November 2009.

92. In conducting an audit of the claims payments for the period July 2007 to December 2008 (AE2008/820/01) OIOS found that the Compensation Commission had adequate control mechanisms to ensure that award and payment records as well as reports were accurate, properly documented and compliant with Governing Council decisions and the Financial Regulations and Rules of the United Nations. The Commission has paid $27 billion up to 30 June 2009 in respect of which most Governments and other submitting entities have fully complied with the Governing Council distribution reporting requirements. However, Governments and other submitting entities had still to submit audit certificates relating to $34 million of awards disbursed to them. Audit certificates are intended to provide additional assurance that payments have been distributed to the claimants. OIOS recommended, and the Compensation Commission agreed, that its efforts to pursue the outstanding certificates should be continued. This is the only outstanding OIOS recommendation to the United Nations Compensation Commission.

Annex

Overview of mandated reporting requirements

The categories of information to be included in the annual reports of the Office of Internal Oversight Services (OIOS) are set out in the following documents:

(a) Secretary-General's bulletin ST/SGB/273 (para. 28):

(i) A description of significant problems, abuses and deficiencies and related OIOS recommendations;

(ii) Recommendations not approved by the Secretary-General;

(iii) Recommendations in previous reports on which corrective action has not been completed (see A/64/326 (Part I)/Add.1);

(iv) Decision from a previous period revised by management;

(v) Recommendations on which agreement could not be reached with management or where requested information or assistance was refused (see A/64/326 (Part I)/Add.1);

(vi) The value of cost savings recommended and amounts recovered (see A/64/326 (Part I)/Add.1);

(b) General Assembly resolution 56/246:

(i) Information regarding the implementation rate of the recommendations of the previous three reporting periods (see A/64/326 (Part I)/Add.1);

(ii) Information regarding the impact of the reorganization of OIOS on its work;

(iii) Reporting separately on those recommendations that have been implemented, those that are in the process of being implemented and those for which no implementation process is under way, and the reasons for their non-implementation (see A/64/326 (Part I)/Add.1);

(c) General Assembly resolutions 57/292 and 60/282: reporting on oversight activities conducted throughout the phases of the capital master plan project in the context of the annual reports of the OIOS;

(d) General Assembly resolutions 59/270 and 59/271: provision of internal oversight of the entire claims process of the United Nations Compensation Commission and reporting regularly thereon in the context of the annual reports of the Office;

(e) General Assembly resolution 59/272: annual reports should contain titles and brief summaries of all reports of the Office issued during the year (see A/64/326 (Part I)/Add.1);

(f) General Assembly resolution 62/87: requests OIOS to ensure effective audit coverage of the capital master plan and to submit to the General Assembly all of its reports related to its implementation.